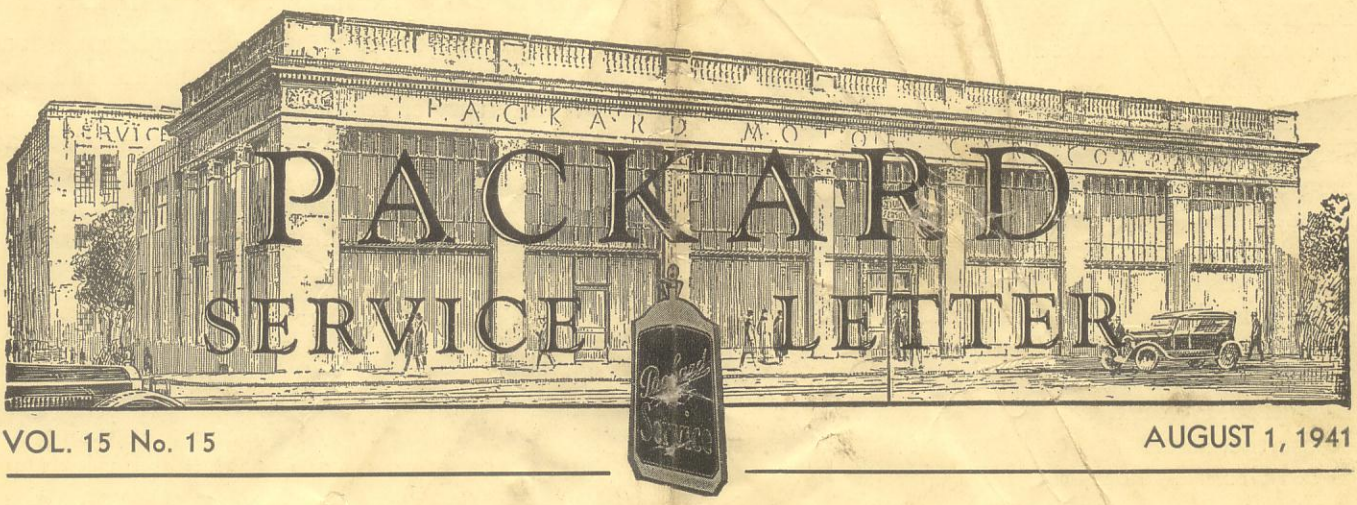

VOL. 15 No. 15 AUGUST 1, 1941

WHAT % ABSORPTION IS AND DOES

The Defense Program as it affects the service department brings into use some new terms that may not be familiar to service managers.

Since this program places so much importance on what the service department can and should do, we should all become familiar with these new terms and know what is meant by them.

A man in charge of the service department today, in order to do an intelligent job besides knowing *what* will fix an automobile and *how* to fix an automobile, must also know how his department fits into the dealer's business as a whole. He must know how the business he does in the service department affects the other departments and likewise, how the rest of the business affects his department.

The first principle in any business is to make money. To make money, Gross Profit must exceed Expenses. What is Gross Profit? Gross Profit is the income of the business. It is obtained by selling for more than they cost, new cars, used cars, service labor, parts and accessories.

Do not confuse Cost with Expense. Cost is what is paid for an item that can be sold. Expense is what is paid out for items of all kinds that cannot be sold. For example, the Cost of a part is what is paid the factory for that part. The Expense in connection with that part is what is paid for labor in unpacking it, stocking it, keeping a record of it, repacking it and shipping it out, or taking it out of stock and using it in the shop. In other words, Expense is the cost of doing business in the process of getting Gross Profit. To say it in another way, Expense is what you pay out for the privilege of doing business. It will not be returned regardless of what happens. Expense must be paid out of Gross Profit before there is any Net Profit.

In actual practice there are two kinds of Gross Profits and two kinds of Expenses. They are Fixed and Variable Gross Profits and Fixed and Variable Expense.

Variable Gross Profit comes from the sale of new cars, used cars and accessories sold with new cars. They are called Variable because the income from these items "varies" from month to month according to the buying season.

Fixed Gross Profit comes from the sale of customer labor, parts, accessories and miscellaneous items. The profit from these items is called fixed because the sale of these items does not vary a great deal from month to month and the total amount of the sales each month is more or less "fixed."

Variable Expense is made up of items which are definitely attached to the sale of those items producing Variable Gross Profit. They are salesmen's salaries and commissions, fitting and delivery, guarantee and policy and the installation cost of accessories sold with new cars.

Fixed Expense is the total expense of the entire business of all departments less the four items of Variable Expense just listed.

Both Variable Expense and Variable Gross Profit may seem to be improperly named because in total dollars they vary greatly from month to month; however, they remain practically the same

per unit of sale. On the other hand, Fixed Gross Profit and Fixed Expense, in total dollars, remain fairly constant from month to month.

The next item you hear talked about is Fixed Net Loss. This is the difference between Fixed Expense and Fixed Gross Profit. It represents the amount of money the dealer would lose if he did not sell any new cars. The smaller the Fixed Net Loss, the more money the dealer will make and the less cars he will have to sell to break even. Therefore, it is important that every dealer have as large a Fixed Gross Profit as possible from which to deduct his Fixed Expense. Or, as the bookkeeper would say it, it is important to increase the Percentage of Absorption ratio of total Fixed Gross Profit to Fixed Expense.

Figuring your Percentage of Absorption is simply a matter of dividing the Fixed Gross Profit by the Fixed Expense. This percentage should be 65 or better. Now that you know how to get a Per Cent of Absorption figure, what does it mean? If it is 65 or better, it means your department is making enough profit to cover a large enough part of your dealer's expense so that on the total business of service, used cars and new cars he can make a satisfactory profit.

If the figure is below 65, it means one of two things—either expenses are too high and need to be carefully checked, or the volume of service sales is not high enough. In this case it means work on your part to increase the number of service customers and also to increase the number of visits per customer.

NEW OIL PAN

1900-1-1A

Beginning with Motor Number D-32601 for the 1900 Model, and Motor Number D-314808 for the 1901-1A Models, we incorporated a new oil pan, a new oil level indicator and a new oil strainer bracket.

The new oil pans are not interchangeable with the previous pans. The new oil level indicator may be identified by the fact that the "Full" mark is $^5/_{16}$" further from the felt washer.

New oil pan asb.	1900 Model	—Pc. No. 367661
.	1901-1A Model	—Pc. No. 371066
New oil strainer bearing & bracket assembly	1900-1-1A Model	—Pc. No. 367839
New oil level indicator	1901-1A Model	—Pc. No. 371208

YOU DO NEED A QUOTA

When the subject of quotas is brought up, a lot of service managers figure that you are talking about large service stations that have a good size office force with plenty of time to make out a number of reports and get a lot of figures together that may or may not mean very much. Such words as sales projection and quotas may sound all right in the boss's office or in the accounting department, but they don't belong in the service department, particularly of the average or small size service stations.

A service department quota has nothing whatever to do with the size of the place. It is simply a figure that you set up as a goal. The dealer you work for has to have a pretty good idea of the amount of business he is going to do in order to decide how large a place he can afford to operate, what he needs in the place to operate with, and how many people he needs to do the job. If he has four cars to sell next month, he would be rather foolish to go out and hire four new salesmen, and in the service department, if you know that you are going to average ten repair orders a day, you would know just about how many mechanics you would need. If it looks like business is going to get better or a busy season is approaching, you would naturally figure on more mechanics. So you see that anyone managing a department has some sort of a rough quota whether they call it by that name or not.

What we are talking about is a more definite quota based on what you have actually been doing.

It isn't definite enough to just say we are handling 10 R.O.'s a day. It is possible that an actual figure will show that you are now averaging more than that. Also, what is your idea of what those 10 orders amount to in dollars and cents and is it what you can and should expect from each order.

It is a simple matter to work up definite service quotas. The rule says to review the sales figures for a period of several months. It is possible that your accounting department doesn't keep the records in such a way that this is possible and there is a simpler way of doing it. Take last month's repair orders out of your file and put them in one pile, then take the previous month's repair orders out of the file and make a second pile, then take the next previous month and make a third pile.

Now get yourself a piece of paper and make 4 columns. At the top of the first column make a heading "Number of Orders." At the top of the next column, the heading should be "Labor Sales." The next column "Part Sales" and the last column "Accessory Sales." Now take the first pile of repair orders, count them and put this number in the first column. Now go through them and add

up the amount of labor sold. Go through them again and add up the amount of parts sold. Go through them the third time and add up the accessory sales. Put these figures in the right columns on your paper. Do the same thing with the second pile and the third pile. Now add up each separate column; you will now have 4 figures. In the first column, the total number of repair orders written in the last 90 days. In the next column, the total amount of labor sold in the last 90 days. In the third column, the total amount of parts sold in the last 90 days, and in the last column, the total accessories sold in the same period.

Divide each of these figures by 3, to this result add 10% to each of the 4 figures. That wasn't so hard and you now have a quota for next month.

SERVICE MANAGER'S DAILY GUIDE SHEET

CPS 99

CUSTOMER LABOR QUOTA THIS MONTH $_____ MONTH_____

CUSTOMER LABOR QUOTA PER DAY $_____ AVERAGE LABOR SALE PER R. O. PREVIOUS MONTH_____

NO. REPAIR ORDERS TO MAKE MONTH'S QUOTA _____ NO. ACTIVE LUBRICATION AGREEMENTS 1ST OF MO._____

DATE	CUSTOMER LABOR SALES	NO. CUST REPAIR ORDERS	AV. PER CUSTOMER REP. ORDER	PARTS SALES PER R. O.	ACCY. SALES PER R. O.	LABOR SALES PER R. O.	LUB AGR SOLD	NO JOBS PER DAY EACH DEPT							LABOR QUOTA	PARTS QUOTA	ACCY. QUOTA	LUB. QUOTA
								LUB.	END ANNL	LIGHT	BRAKE	STEER	BODY MAINT	WASH POLISH	TRUCK			
1																		
2																		
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NO. TOT.																		

NO. OWNERS IN FOLLOW-UP SYSTEM 1ST OF MONTH_____ NO. INACTIVE OWNERS IN FOLLOW-UP SYSTEM 1ST OF MONTH_____

Now for the next step. It isn't such a good idea to establish a monthly quota and let it go at that, because you have to wait until the end of the month to know whether you made the quota or not. It is much better to break the quota down by working days. Then you know each day how you are coming along. You do this by dividing each of your 4 figures by the number of working days in the month that you are setting the quota for.

The next thing is to keep track of these figures and to find out how close you are coming to them each day. The easiest way to do this is to use the Service Manager's Daily Guide Sheet, form No. CPS 99. You will find spaces on it for number of repair orders, labor sales, part sales, accessory sales and total sales. In addition, it has a space for lubrication agreements sold.

The form illustrated also has 4 columns at the right in which to list your daily quota figures.

Your daily sales figures, of course, are taken off from the repair orders after each day's work is completed. As the entries are made in the proper spaces, you can determine each day just how you stand with the quota for that particular item. If you are not up to the quota, try to get more owners in or if the amounts per repair order are not up to standard, then there is something wrong with your inspection of the car or your selling of needed services. It takes but a few minutes each day to keep these figures and you can tell exactly how your end of the business is going. In this way you can do a great deal more to help your dealer.

If we know anything about the average Packard service manager, we believe that he will get a real pleasure out of establishing his own service quotas and seeing what he can do to not only reach them, but better them. Any manager worth the title is anxious to do his full share of not only running his department smoothly, but showing what he can do to manage it efficiently both from a mechanical and a selling standpoint.

DRIVE SHAFTS
CLIPPER

About July 22, the Drive shaft on Clipper cars equipped with Aero Drive was reversed placing the spline end of the slip joint to the rear. Previously the splined end was next to the Aero Drive unit. This was changed to correct a harshness at high speed above 75 M.P.H.

Clippers not equipped with Aero Drive and having the long sleeve and babbit bearing are still assembled with the spline forward. These should not be changed.

COURTESY LAMP TERMINAL
CLIPPER

Courtesy lamp Pc. No. 366482 was originally equipped with a Douglas plug type terminal—male end—Pc. No. 240635. In June this was changed to Pc. No. 373367 "Wade" type closed eye terminal.

If lamp with old type terminal No. 240635 is desired order Pc. No. 0379418.

ELECTROMATIC CLUTCH
CLIPPER

We have had several reports regarding the sharp engagement of the Electromatic Clutch in second gear. One of the causes of the condition is too slow a motor idle. With the increased compression ratio of the Clipper, the idle in third gear must not be lower than 7½ to 8 M.P.H.

Make the necessary adjustment at the carburetor and be sure the solenoid adjustment is standard. The sharp engagement will be greatly reduced by increasing the engaging point of the engine speed by adjusting the screw marked "I" in illustration. See paragraph No. 4 on page 5 of Service Letter, Volume 15, No. 2, January 15, 1941.

WHAT THE OTHER FELLOW IS DOING—

AND WHAT NOT TO DO

What the other fellow is doing about holding his present business and getting more is of real interest when he is doing a profitable job. Lots of service stations are busy today in that they are handling lots of cars and lots of customers, but actually not a lot of extra dollars. The trouble is that as the service salesmen handle more people, they spend less time with each one and the income per order goes down. The result is more cars to handle, but not more dollars. You have to watch both. Don't take in ten $2.00 jobs and fill the shop up and then turn away two $20.00 jobs.

These fellows are going after the profitable jobs. You may have to start an appointment book, but don't turn business away!

Packard Indianapolis, Inc.
1510 NORTH MERIDIAN STREET
INDIANAPOLIS

As we have not had the privilege of handling your lubrication requirements we want to take this opportunity of advising you about our program. Our standard Packard lubrication consists of the following operations:

1. Lubricate all steering connections.
2. Lubricate propeller shaft spline.
3. Lubricate clutch pedal shaft.
4. Lubricate brake pedal shaft.
5. Lubricate generator bearings.
6. Lubricate starting motor bearings.
7. Lubricate distributer.
8. Lubricate all door hinges.
9. Lubricate all door strikers and latches.
10. Lubricate hood locings.
11. Level oil in steering gear.
12. Level oil in transmission.
13. Level oil in rear axle.
14. Level oil in master brake cylinder.
15. Standard amount of air in all tires.
16. Water in battery.
17. Apply anti-corrosin compound on battery terminals.
18. Water in radiator.

Our standard charge for performing the above operation is $1.00 and you can rest assured that it is one of the finest lubrication jobs you can obtain anywhere.

We also have a lubrication plan where you can buy six lubrications in advance for only $3.90, or 65¢ each, which would be quite a saving for you.

If your speedometer indicates the following mileage the factory recommends these items should be lubricated to avoid costly repairs:

Front wheel repacked at	- 10,000	$1.00
Universal joints repacked at	- 30,000	$4.50
Rear wheel bearings repacked at	- 30,000	$4.50

May we have the opportunity of handling this service for you? We know you will be pleased with the results.

Yours very truly,
S. W. Kennerly,
Service Manager

SWK/pfp

PACKARD MOTOR CAR COMPANY
DETROIT BRANCH
574 JEFFERSON AVENUE EAST — DETROIT, MICHIGAN

Our Used Car Department has just notified me that you have purchased one of our good used Packard cars, and I trust that you will consider our Service Department, located at 574 E. Jefferson at St. Antoine, as your future home for service requirements.

The lubrication of your car is vitally important, therefore, we have presented to you at the time you purchased your car, a Lubrication Coupon Booklet entitling you to four chassis lubrication jobs at no cost to you.

Come in and get acquainted with our Service personnel. I am sure you will find that your service needs will be taken care of promptly, efficiently, and at a minimum of expense.

Special reduced service rates are available to all purchasers of used cars. In order to get the advantage of these rates just tell the service salesman you are entitled to these special rates.

Very cordially yours,
PACKARD MOTOR CAR COMPANY
DETROIT BRANCH

William T. Wilson
General Service Manager

WTW:ln

PARRISH, INC.
1200 S. BOSTON AVE. — TELEPHONE 29191
TULSA, OKLAHOMA

Mr. John Doe,
501 North Tucson Street,
Halifax, N. D.

Dear Mr. Doe:

This letter is to remind you we have not forgotten you or your Packard and whenever you may need service, we want you to remember that we are more familiar with Packard cars than anyone in Tulsa.

We are always trying to make your Packard Service Store still better, having recently added a new motor analyzer that gives the correct answer to your electrical system, carburetor, fuel pump, gasoline consumption and other important units that occasionally go wrong and cause unnecessary expense. Have also added, for the protection of the finish on your car, "Porcelainize" which will preserve the finish as well as save you many dollars in polish jobs.

We are equipped to do all of your work, whether mechanical, metal, paint, wash, polish or lubrication, and can save you money on tires, batteries and accessories.

(For those who so wish, we can arrange for an easy payment plan on repairs, parts, tires, radios, paint, etc.).

We appreciate your business and solicit any constructive criticism to make your Packard Service Store better.

Yours very truly,
PARRISH, Inc.,

J. E. Miller, Service Mgr.

JEM:trk

P. S.

Ask about our lubrication plan; it will save you almost 50%.

We have missed your car in our Service Department. If our records are correct, you have not been in for more than 90 days.

There is a reason for this. Are we at fault? Was your last visit to our Service Department unsatisfactory? Was the work ordered by you done to your satisfaction? Was the price right? Were you unreasonably delayed? Why haven't you been back?

We have no way of knowing unless you will do your half and tell us about it. We will appreciate it if you will use your half of this letter to give us your impression of our service.

If we are at fault in any way, we will be happy to have an opportunity to make every effort to satisfy you. We need your good will and patronage to build a successful service.

May we hear from you on the other half of this letter . . . ?

Yours very truly,
Sid King
Sid King
Service Manager
BROWN MOTORS, INC.

As the Fall of the year is fast approaching we were notified the other day to give some thought toward our Packard owners for "EVEREADY PRESTONE," for their radiators.

Due to the present war condition abroad and the preparation program that we are going through today, we know that there is going to be a shortage in Prestone.

We can avoid all this delay and last minute rush by knowing how many of the Packard owners wish to have this anti-freeze installed in their cars.

Enclosed you will find a self-addressed card asking you to sign and return, advising how many gallons you will want us to save for you.

Very truly yours,
PACKARD BERE COMPANY
GEORGE C. SCHAFFER,
General Service Manager

GCS:jpj

Mr. Walt Neubauer
So. Eastern Avenue
Indianapolis, Indiana

Dear Mr. Neubauer:

During this time of the year many owners either buy new cars or have their present one reconditioned. If you decide on the latter we want you to know our charge for putting the interior of your motor in first class condition and this will enable you to obtain another year or more of service from same.

1. Expand pistons to the proper size
2. Install new piston rings
3. Install new piston pins
4. Install new connecting rod bearings
5. Grind valves and clean carbon
6. Install washers on valve springs to compensate for loss of tension
7. Overhaul carburetor -- clean with gum removing solvent and rebuild, using new gaskets
8. Clean and space spark plugs
9. Tune Motor complete
10. Change motor oil

	Six	Eight
Regular price for above work.	$64.00	$74.00
Special price for a limited time. . .	$55.00	$65.00

This work is performed by men with many years of Packard experience and all materials used are genuine Packard parts. If your mileage is over 40,000 we would suggest new main bearings -- The cost for labor and material, in addition to the above work is $11.90 on the Six and $12.90 on the Eight.

We would appreciate an opportunity to discuss this matter with you further at your first convenience.

Very truly yours,
PACKARD INDIANAPOLIS, INC.

S. W. Kennerly
Service Manager

SUGGESTIONS OR QUESTIONS ARE ALWAYS WELCOME. ADDRESS—EDITOR PACKARD SERVICE LETTER

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